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Effecting successful shared value creation: The role of organisations in fence-line communities

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Purpose: Society's expectations of business are said to be increasing, with business expected to play an influential role from a triple bottom line perspective. Shared value creation is a new, emerging theme in the literature on corporate social responsibility (CSR). The stagnating South African economy, the increasing incidence of protests against community conditions and the increased expectations of stakeholders for business frame the study.

Design/methodology/approach: This qualitative research study aimed to gain insight into how shared value creation could be effected in a developing country. Additionally, it provided insights into the reason for the nature of the expectations, the approach in effecting shared value creation, and the benefits that could be realised by employing this business model.

Findings/results: The study found that shared value creation can be effected successfully through a partnership between government, business and communities together with strong inter-stakeholder. Measurement of outcomes and feedback to the various stakeholders will strengthen relationships with employees and fence-line communities and lead to improved business performance. Benefits were identified as improved social capital, reduced dependency on companies and a sustainable business.

Practical implications: This concept proposes an approach to social responsibility that will enhance the competitive advantage of the firm and is presented as strategic CSR. Numerous literary contributions have criticised the concept for being too vague in its approach and for being built on western world principles.

Originality/value: Understanding the role of institutions (or lack thereof) in ecosystems and the networks that are established and required was considered important in furthering the operationalising of social responsibility concepts such as shared value creation.

Keywords: shared value; stakeholders; fence-line communities; social capital; communication; partnerships; sustainability.

Introduction

Does society believe that business is prospering at the expense of the community? Does society expect business to improve the conditions within the communities at its fence line? Should business regard these communities as important stakeholders? While it is acknowledged that government ultimately plays the key role in delivering services to its citizens (Nleya, 2011), there is a growing expectation by society that business should create value for the communities in which it operates (Porter & Kramer, 2011). Porter and Kramer (2006) linked this expectation to the concept of shared value creation, which entails the application of a business model that enables the organisation to establish a competitive advantage while addressing the needs of society. Ultimately, the creation of shared value should result in a win–win scenario for both society and shareholders (Porter & Kramer, 2011).

South African organisations are currently facing significant challenges regarding sustainability and growth, not only from growing global competition but also from a non-conducive local business environment as a result of skills shortages, poor service delivery, policy uncertainty and inflexible labour laws, as well as the impact of the coronavirus disease 2019 (COVID-19) pandemic (Littlewood & Holt, 2018; Reddy, Bhorat, Powell, Visser, & Arends, 2016; Rogerson & Nel, 2016; Statistics South Africa, 2016; World Bank, 2019). Furthermore, over the past decade, the business environment in South Africa has been facing increasing community protests caused by poor service delivery and service delivery interruptions (Alexander, 2010). These protests are mostly related to an inconsistent and inadequate supply of water, sanitation and electricity, and at times, they serve as displays of discontent with local authorities or council members (Nleya, 2011).

These less than desirable economic conditions and associated community architecture have their roots in the political history of the country and have a far-reaching effect on service delivery, the daily rhythm of the labour market and the environment of business as a whole (Littlewood & Holt, 2018; Rogerson & Nel, 2016; Zimbalist, 2017). Government does not have the means to address the gaps in society as a whole, and there is a lack of institutions and platforms that enable and call upon business to contribute towards the filling of these gaps (Littlewood & Holt, 2018).

The South African economy showed 0.2% and -3.3% growth in 2019 and 2020, respectively (World Bank, 2021), and has a consumption expenditure Gini coefficient of 0.63: one of the highest in the world (Littlewood & Holt, 2018). At the time of the study, the unemployment rate in South Africa was 29.1%, one of the highest in the world. Furthermore, the communities surrounding organisations are populated with individuals from various cultures and ethnicities and no fewer than 11 official languages across nine provinces (Statistics South Africa, 2019). When considering the geographical location of industry in South Africa, the desperate search for work in a country with acute unemployment and the community layouts surrounding these industries, it is clear that South African industrial organisations are confronted with disparity and inequality within their fence-line communities, which makes their approach to stakeholder management and shared value creation contextually interesting (Littlewood & Holt, 2018; Rogerson & Nel, 2016; Statistics South Africa, 2016).

How should organisations respond? Existing research on this topic does not address this question sufficiently (Dembek, Singh, & Bhakoo, 2016; Dembek, Sivasubramaniam, & Chmielewski, 2019), and further to this, any approach to shared value creation and judgement of its outcome is context and culture dependent (Dembek et al., 2019; El Akremi, Gond, Swaen, De Roeck, & Igalens, 2018; Rupp et al., 2018). Thus, even though stakeholders are increasingly expecting business to address societal concerns, and while this intervention demands resources, there are no clear guidelines on how these needs should be assessed, what approach the organisation should take and how the outcome of the approach can be measured or deemed successful. The study needed to consider the inevitable tensions between organisations and stakeholders who share ecosystems.

Literature review

The community within which an organisation functions and its employees are but two of the many legitimate stakeholders of business (Tantalo & Priem, 2016). They are deemed important and legitimate because the health of the community in which an organisation operates and the engagement and capabilities of its employees inadvertently influence the ability of the organisation to create wealth sustainably (Gallup Inc., 2017; Harter, Schmidt, & Hayes, 2002; Porter & Kramer, 2011). The employees of industrial organisations in South Africa often reside in communities at the organisations' fence line with disparate levels of service delivery and infrastructure. Through improving and uplifting fence-line communities by considering both employees and communities as important stakeholders, the organisation can enhance its chances of obtaining and sustaining a competitive advantage (Sun, Wu, & Yang, 2018). Understanding employees' expectations of the organisation's role in addressing fence-line community conditions could enhance business's ability to approach this consideration with more success.

This study set out to improve the understanding of expectations regarding organisations' impact on society. The findings would augment theory on organisational approaches to these societal needs in an attempt to increase the success of the response and enhance the hoped-for competitive advantage through the chosen approach.

Theoretical need for the study

Social responsibility concepts such as shared value creation speak to the fulfilment of needs in society through organisational action (Porter & Kramer, 2011). Understanding which needs should be addressed and how need satisfaction should be measured are considered significant ingredients for the successful execution of these interventions (Dembek et al., 2016). Furthermore, there has to be a shared view of the need and the value of success between the various partners in the ecosystem (Kramer & Pfitzer, 2016). According to the literature, however, there is currently no clear means to measure shared value properly, and a basis of measurement is required that will guide business decisions regarding sustainability in terms of economic, social and environmental aspects (Maltz, Ringold, & Thompson, 2011).

The study needs to be set in the context of business models which represents how a company will be designed and how it will create value. What is the company's vision and key objectives? Is the purpose of the business to be profit maximising in the short term, or is there a long-term goal to create an ecosystem of shared value in which both the business and society can flourish?

Shared value is still regarded as a new concept in the business literature and, while having received criticism from various sources, it is considered very relevant considering the societal challenges of business today (Dembek et al., 2016; Tate & Bals, 2018; Voltan, Hervieux, & Mills, 2017). According to Porter and Kramer (2011), there are three ways in which to enact shared value: 'reconceiving products and markets; re-defining productivity in the value chain and; building supportive industry clusters at the company's locations' (p. 68). While several measures have been proposed to assist with establishing the value created through shared value strategies (Dembek et al., 2016), there is also a need to gain an improved understanding of the meaning and measurement of the success of shared value creation to provide organisations with guidance as to how it can be applied (Tate & Bals, 2018; Voltan et al., 2017).

Central to this study is the observation that a tension exists between stakeholders (Freeman, Phillips, & Sisodia, 2020) (governments, organisations and surrounding communities) that share responsibilities in the same ecosystem. In the South African context, government seems unable to deliver their social mandate (Mamokhere, 2020), and as a result, it may cause communities to hold organisations responsible for supporting the communities in which they operate.

Corporate social responsibility

The notion of corporate social responsibility (CSR) emerged in the 1960s and has since developed into an approach used by organisations to respond to societal needs (Wang, Tong, Takeuchi, & George, 2016; Wójcik, 2016). Business has, however, struggled to integrate CSR into its strategy owing to the inability to marry the cost of CSR with the overall business imperative of growing shareholder worth (Wójcik, 2016). Several studies have been conducted in an attempt to address this issue, but results have been inconclusive when seeking to correlate financial business performance and investments in CSR initiatives (Bice, 2017; Wójcik, 2016). Corporate 'green washing' has led to the poor reception of CSR by all stakeholders, and there is a need to address societal needs and externalities from a systemic and long-term point of view (Wójcik, 2016).

Shared value

Society is reconsidering the moral fitness of capitalism (Szmigin & Rutherford, 2013), and the historical and current organisational approach to the creation of wealth is deemed outdated and unsustainable (Porter & Kramer, 2011). Indeed, the sentiment is moving towards holding companies to account for their benefitting from the environment in which they operate (Porter & Kramer, 2006). Corporate governance accounts for the expectation around sustainable operation through the move to triple bottom line reporting mechanisms – economic, social and environmental – in which both investment in and impact on society, communities and the environment are considered and measured by stakeholders that include shareholders and investors (Jain & Jamali, 2016). In the words of Voltan et al. (2017), shared value is 'a form of strategic CSR seen to provide tangible benefits to the firm' (p. 352). The shared value concept is thus seen to have bridged the persistent concern with financial justification for CSR initiatives when considering that organisations are ultimately established to create wealth for shareholders (Voltan et al., 2017). In addition, the shared value concept has brought about a shift in thinking and speaking when it comes to sustainability considerations in that the discussion has turned to value creation and no longer focuses only on the compliance and responsibility themes of CSR (Visser & Kymal, 2015).

Corporate social responsibility versus shared value creation

Shared value creation differs from CSR in that it is a strategic approach to a win-win situation for both the organisation and society rather than one that is resourced by business to dispense to society (Porter & Kramer, 2011). The traditional approach to the concept of externalities has been the instituting of policies and taxes in an attempt to 'recover' that which companies have 'taken' from the local environment. However, the approach of shared value creation refers to companies embarking on this approach with the intention of enhancing their competitive advantage (Porter & Kramer, 2011).

Creating shared value (CSV) is hence juxtaposed with the traditional approach of CSR in that it is a deliberate strategic approach to enhance the organisation's competitive advantage through simultaneous value creation for both the organisation and society (Voltan et al., 2017).

The relationship between society and business

Porter and Kramer's (2006) development of the concept of shared value creation was based on increased expectations that business should contribute to society's well-being. Safwat (2015) echoed this view, arguing for the need to rewrite the relationship between business and society, owing to the change from business as a 'profit maximising' machine to an entity that needs to consider the impact of its actions and operations on the sustainability of the environment and the society within which it functions (p. 86).

Cooperation and competition between partners

The business ecosystem is inherently a space for both cooperation and competition between the various partners or actors (Adner, 2017; Adner & Kapoor, 2010; Baldwin, 2014; Crane, Pallazzo, Spence, & Matten, 2014; Donaldson & Preston, 1995; Tate & Bals, 2018). In this study, the focus was on the partnership between the community (and hence the organisation's employees as members of the fence-line community) and the organisation. The possible gap or tension in this relationship arises from expectations that the community has regarding the creation of value by the organisation in its fence-line communities and the aim of business to create value for the organisation's shareholders (Crane et al., 2014). For this study, the term 'fence-line communities' will be used to refer to the communities established around an organisation's figurative fence. The organisation is making use of the resources within the environment (ecosystem) to create value and all partners within the ecosystem have an expectation as to how this value creation should benefit them. This expectation and the tension that it causes between partners suggest the need for further research, as proposed by Adner (2017), to understand how the distribution of value across the broader ecosystem should be treated in terms of strategy. The partnership within the ecosystem is seen as a reciprocal exchange which will result in both tangible and intangible assets if all partners perceive their allotment of the total value creation as meeting their expectations (Tate & Bals, 2018). Intangible assets are usually the ones that are hardest to imitate

(Tate & Bals, 2018) and refer to the assets that provide organisations with long-term competitive advantages. A healthy partnership between the organisation and its fence-line community is deemed an intangible asset which will add to the competitive advantage of the organisation (Arya & Lin, 2007; Tate & Bals, 2018).

Tangible outcomes of shared value creation

According to Porter and Kramer (2006), organisations can establish an enhanced competitive advantage if they approach their business idea with a shared value-creation objective. Ensuring society's needs is considered in the strategic approach of the business in an attempt to realise enhanced competitiveness and is also an aspect that differentiates shared value creation from normal CSR models (Porter & Kramer, 2011).

Social responsibility endeavours have been proven to have a positive relationship with the financial performance of organisations (Su et al., 2016). This relationship between financial performance and social responsibility has further been found to be more positive where the market is less developed (Su et al., 2016). A paper by Su et al. (2016) focused on emerging economies in the Asian market, and, considering the context of this study, the outcomes of fulfilling the shared value expectations of employees of the chosen organisation and country should bear interesting results. It should be noted that shared value does not refer to the redistribution of wealth, but to growing a bigger proverbial pie of which both society and business can have a piece (Porter & Kramer, 2011; Wieland, 2017).

Research methodology

Denzin and Lincoln (2005) described the result of qualitative research as 'a pieced-together set of representations that is fitted to the specifics of a complex situation' (p. 4). The systemic nature of problems faced by business in South Africa was described earlier, where the complex and multifaceted challenges that business is faced with were highlighted. Johns (2006) defined the context as 'situational opportunities and constraints that affect the occurrence and meaning of organizational behaviour as well as functional relationships between variables' (p. 386). There is a need for qualitative research that could contextualise the generic frameworks within specific organisational settings to enable deeper insights into the circumstantial aspects of shared value creation (Bailey, Madden, Alfes, & Fletcher, 2017). The type of study that was undertaken was therefore qualitative and exploratory in nature and drew from the domains of management and business ethics.

Semi-structured interviews were held with leadership and employees (first-line supervisors and their teams) of the organisation. Semi-structured interviews with focus groups are deemed a suitable strategy for exploratory research designs where the interviewer aims to gain an understanding from individuals about a subject in a specific contextual setting (Saunders & Lewis, 2018; Stewart & Shamdasani, 2014).

The researchers approached the coding and thematic analysis of results inductively and referred to existing theories and frameworks gathered from the literature review as interpretive devices in order to evaluate the research problem (Tracy, 2013, p. 25).

Population

The population targeted for this study included first-line supervisors and artisans (as employees) and leadership (executive committee members) within the operating model entity (OME) of the organisation. The artisan and first-line supervisor population was chosen for the focus group interviews because they are the group of employees with the most diverse residential locations in the communities at the organisation's fence line and represent the largest employee group in the organisation and, hence, community. This population, therefore, informed the testing of the expectations of employees and the community of the organisation, as well as their perceptions of actions taken to date. The leadership interviews would inform the way leadership views the role of the organisation, its perceived impact to date and the approaches that should be considered to effect shared value creation. Conducting interviews with both employees and leadership also provided an amount of triangulation regarding the validity and reliability of the results.

The chosen company, based in a town in Mpumalanga, South Africa, was selected as an appropriate site for the study when considering its location and the disparity between conditions in fence-line communities. The company is part of a large integrated energy and chemical organisation listed in both South Africa and the USA. It was founded in 1950 and employs more than 30 000 employees.

Furthermore, these communities have experienced several protests and significant service delivery interruptions over the past 4 years while the company has a strong dependency on these fence-line communities for resources.

Sampling method and size

The population size of first-line supervisors in the organisation at the time of the study was 508, and each first-line supervisor had on average a team of five members. Years of experience for first-line supervisors and artisans ranges between one and 40 years with the average years of experience for the first line supervisor population equalling 20 years. The company employs approximately 4000 artisans of various disciplines. In order for the research to be successful, Marshall and Rossman (2006) proposed that 10 groups (consisting of a first-line supervisor and his/her team) should be approached for the semi-structured interviews. In this study, eight focus groups were held as it was deemed that saturation had been reached.

The sampling method applied was convenience sampling as the researchers relied on the organisation to identify supervisors and their teams. Business managers were asked to arrange for supervisors and their teams to be available on the dates in question and no influence was exerted over who would be interviewed with the focus groups. The researchers aimed to keep the size of the groups to less than eight as recommended by Stewart and Shamdasani (2014). It was found that smaller groups of four to five inspired more frank and open discussions, as well as encouraged increased participation.

For the leadership interviews, non-probability purposive sampling was applied. This sampling technique ensured that the sample of executive committee members comprised of all demographics (race, gender, age) and leadership who fulfilled roles within the CSR, site services, supply chain, operations and safety structures of the organisation.

Measurement instrument

Focus groups: First-line supervisors and artisans

The measurement instrument comprised two parts. The first part was to gather general information regarding age, gender and race and the community within which they reside from each of the group members. This section asked the participant to briefly describe the current conditions within the community in which they reside. The second part of the instrument covered the research questions posed, namely, whether society expects organisations to improve conditions in its fence-line communities, perceptions as to how effective such contributions are and how organisations should respond to the expectations.

It should be noted that an assumption of the study was that the participants are a proxy for society. The sample of participants were speaking on behalf of society, and the results of the study should be interpreted within that limitation.

Leadership interviews

The leadership interviews were conducted to gain an understanding of leaderships' view of the expectations of society, and the response they believe will be appropriate to address the expectation. The interviews of both employees and leadership were used to assess the alignment between leadership and employees and to compile recommendations for the response to the expectations.

Interviews with focus groups and leadership were scheduled for a duration of 60 min and were conducted over a period of 4 weeks. The interviews with the focus groups were conducted over weekends to ensure that shift personnel in the focus groups were not distracted by activities at their place of work. In an attempt to validate and test the researchers for consistency, a second independent observer was asked to perform the theme allocation to one of the pilot interviews held.

Analysis approach

Information from notes taken, as well as the recordings of the focus group and leadership interviews and discussions, was analysed using a thematic approach. All focus group and leadership interviews were transcribed to enable the allocation of codes, codes to categories and ultimately categories to themes by applying a four-stage process involving initialisation, construction, rectification and finalisation, as described by Vaismoradi, Jones, Turunen and Snelgrove (2016). The Atlas TI software package was used to assign codes to phrases and comments in the transcriptions.

Ethical considerations

Ethical clearance was obtained prior to the commencement of the research. The ethical clearance approval has been submitted with the article submission.

Results

Sample description

Eight face-to-face focus group interviews and seven leadership interviews were held. In total, 48 participants were reached through the focus groups. One-on-one discussions were held for the leadership interviews, and these were conducted in the relevant leaders' offices. Not all participants contributed equally during focus group discussions even though the researchers tried to elicit responses from all present by using probing questions directed at the quiet participants. The interviews were stopped when saturation of themes was considered to have been reached.

Descriptive statistics for focus groups

Eighty per cent of the focus group participants were male, 50% were in the age group of 26–35 years and 80% were black people. All interviewees, with one exception, had at least Grade 12 level of education. These proportions are representative of the profile of employees in the company for the operations environment within which the interviews were held. Twenty-five per cent of the participants resided in an informal settlement on the company's proverbial fence, and 34% of the participants lived in the town at the company's fence.

Descriptive statistics for leadership interviews

Seven interviews were held with the members of the leadership of the company. The leadership sample comprised of two African men, two African women, two white men and one white woman. Three of the individuals were above the age of 50 years and four were between 40 and 50 years. All the participants had been in the company's service for more than 15 years, with two of the participants having spent more than 30 years with the company. All the participants filled executive committee member positions in the company, and all the leadership participants resided in the town within 10 km from the company.

General results for living conditions of focus group participants

The consent forms for focus group participants contained a question on the conditions within the participant's community. Concerns raised, in order of frequency, were poor service delivery, poor safety and security, poor transport, frequent protests and riots, insufficient housing and poor access to educational institutions. The majority of participants complained about service delivery. This included the poor state of roads, interruptions to the water and electricity supply, and a lack of waste removal and sanitation services. Lack of transport between communities and the participants' place of work, schools and shopping centres were also highlighted. Rising crime rates and the overall lack of policing were also highlighted by numerous participants. Overall, participants indicated that they are affected by unsatisfactory conditions in their communities.

Results for research question 1

Research question 1: Does society expect organisations to contribute to improving conditions within its fence-line communities and why?

This question would explore whether there is an expectation that business should intervene and improve conditions in its fence-line communities and why this expectation exists. The literature review indicated that society has increasing expectations of business to address societal needs through social responsibility interventions. However, the literature review also found that the expectation is dependent on context. Questions posed in relation to this research question were thus aimed at determining the expectation that society has in the context of the study and why participants had this expectation.

Upon asking focus groups and leadership whether they expect their organisation, or any other organisation in an area, to contribute to their fence-line communities, the answer was unanimously affirmative. Participants responded with phrases like 'most definitely yes' (Shift 1), 'definitely there is' (Leader 3), 'I definitely think they do' (Leader 7), 'I think it has been long overdue' (Shift 7) and 'I firmly believe so' (Leader 6). An employee in Shift 6 commented:

> 'We know that they are running a business of course, it comes back also that the issue, the business also needs to look at the situation of its people or the people in certain communities and say how can we help.' (Shift 6, 5, Plant operations – shift workers/personnel)

Overall, the results for research question 1 can be summarised as follows:

- Both groups, employees and leadership, in the organisation expect the organisation to intervene in conditions within communities at its fence line. While some respondents added a qualifying statement of reasonableness, all respondents agreed that the organisation was expected to contribute to improving conditions within the environment in which it operates.
- The expectation is based on the fact that the organisation makes use of and impacts on the resources (natural environment, human) within the environment in which it operates.
- According to respondents the expectation for companies to intervene and play a role in local communities has always been present. The expectation has however grown as a result of the availability of information, the failures in local government and community members facing many economic and other difficulties.
- The expectation is linked to the perceived impact of the organisation on the community, perceived availability of specialised skills within the organisation and the perceived profitability of the organisation. Where an organisation is deemed to be the most profitable or most influential in its environment, it is expected to take the lead in interventions in the environment on which it has an impact.
- The organisation should live up to its values outside of its proverbial fence. Where organisations subscribe to the value of caring for employees, this should also be visible where employees reside and, in the community, surrounding the organisation. Leader 2:

  > 'For me really it's a moral question that as a business leader for me to go to sleep well and peacefully at night is to know that as much as I'm expecting this community around me, because it starts with the community around me, supporting my business, whether it's by buying my product or selling its labour to me or whatever that it chooses to do to support the business then that results in business to prosper.' (Leader 2, 41, Female, Vice President)

- The respondents all felt that it was the duty of the organisation to contribute to improving conditions. Focus groups referred to social responsibility and the impact of the organisation on the environment, while leadership referred to it as being part of the responsible operator role of the organisation.
- The expectation of the organisation is very much dependent on the context within which the country, the community and the organisation finds itself.
- There was a general belief among participants (both focus groups and leadership) that there can be a win-win business model through which both business and society can benefit. (Shift 8, 5, Plant operations – shift workers/personnel):

  > 'Now you know company X is looking out for me and company X will look out for my child one day and then I won't do something to lose my job because I know my child will have an option one day. I think it's a win-win.' (Shift 8, 5, Plant operations – shift workers/personnel)

- The community and organisation do not always consider each other as partners. The barriers to a mutually beneficial partnership were linked to unbalanced levels of education and the organisation having more power in the partnership owing to its financial resources. Several references were made to tension or competition between the community and business and the lack of the required leadership and structures in both business and society to address the tension and the partnership dilemma.

- Business is seen to have knowledge and skills in as far as managing outcomes and initiatives/projects, and hence, the business is expected to take the lead in terms of required interventions in the community.
- This expectation is the result of a mindset that has been formed by the context of the country, the company and the town.

Results for research question 2

Research question 2: How does society perceive its organisations' contribution to their fence-line communities and why?

This question aimed to provide insight into the way employees and leadership measure the success of interventions by their organisation. What would be the perceived advantages to business and society if an organisation was to approach business with a shared value creation intent? Whether the chosen approach to shared value creation by the organisation is regarded as positive or negative should provide insight into the benefits to be created through shared value creation and the means through which such a business model could be approached. Understanding how needs should be identified and which stakeholders are deemed important in constructing an approach to shared value creation would be an important consideration when embarking on the implementation of such a business model.

The results of the data analysis of research question 2 may be summarised as follows:

- Interventions from companies are considered successful when
  - outcomes from interventions are sustainable,
  - interventions meet the needs of the intended beneficiaries,
  - interventions are scoped while considering the impact of the organisation in the community,
  - interventions and expectations are clearly communicated to all stakeholders,
  - all partners in the ecosystem assume accountability for the interventions and for sustaining them, and
  - outcomes from interventions have a net positive impact on the entire ecosystem.

Leader 1:

> 'My view is not this is a model that will give you quick benefits, it will take time because you depend on people's view in a way of the company and that is why I also say it can't be a once-off thing, we keep on doing this and in the end you will see the benefit.' (Leader 1, 49, Female, Vice President)

- The benefits for business from intervening to improve the communities in which they operate are
- enhanced reputation,
- increased profitability,
- increased employee engagement,
- improved partnerships with the community,
- improved relationships with authorities,
- sustainable business, and
- becoming ambassadors for business in the community and among employees.

Leader 6:

> 'The social compact will be, what we are trying to do is to make sure that business, the local government or the government and the community, all of us agree that this is what this company is doing, this is how we can all participate, this is how we all create value and this is how we all benefit.' (Leader 6, 43, Male, Senior Vice President)

- Criticism regarding the required and intended interventions of companies were:
  - disparate interventions for different communities,
  - poor management of expectations by business,
  - business cannot address all needs of society,
  - expectation from society is another level of taxation for business to operate in the environment, and
  - while it is accepted that expectations exist and that the business model should be adapted to ensure sustainable operation, it is not deemed to be the most profitable business model.

Results for research question 3

Research question 3: How should organisations respond to this expectation?

The intention of research question 3 was to provide business and leadership with a proposal on the way in which the expectations should be approached. The responses to the questions under research question 3 were coded and thereafter grouped into constructs.

The results of the interviews with the leadership and focus groups for research question 3 can be summarised as follows:

- Both leadership and employees stressed the need for partnerships between the community, businesses in the community and government to enable a successful response to the expectations from society. This element is grouped under the construct of a social compact. (Leader 3, 55, Female, Vice President): 'Between business and government which are both enablers of the community we never sit together to plan.' (Leader 3, 55, Female, Vice President)
- For the interventions to be successful, the social compact has to identify the right needs to be addressed.
- Management of stakeholders was considered an important element in achieving success. Both samples indicated that the identification of the critical stakeholders, the management of their expectations and ensuring there is collaborative planning were required to enable a successful approach.
- An understanding and consideration of the context of the operating environment is required in order to plan the intended intervention.
- Communication between the various stakeholders and partners is required. This communication should be pitched at the right level and on a platform that is accessible by all relevant parties. Shift 3:

'There was never an opportunity where the company expected the feedback from us in detail and now they are looking into the second phase. It looks like they already made assumptions that they have learned which is wrong. They must get feedback back from people because the process on its own was really frustrating.' (Shift 3 (SCC), 4, Plant operations – shift workers/personnel)

- The leadership of partners, as well as the maturity of the relationship between partners, will need to be managed and considered when devising a response to the expectation.
- When planning a response to the expectation, business should consider interventions that reduce dependency on the organisation over time. The interventions should, therefore, be sustainable and should create spill overs and linkages in the economy within and around the operating environment of the business.
- Constant measurement of results is required to understand the current status of interventions and to identify concerns or deviations in time. The communication of these results is further considered an important element of stakeholder management.
- For business to devise a successful approach, the business idea or intervention should be aligned with the business strategy. Consideration should be given to overall targets and these should be underwritten. The establishment of structures and processes to support the interventions is another element that featured under this construct.

Interventions will have an impact on the supply chain of business in the environment. Value chain management should, therefore, be considered during the planning and execution of interventions. Leader 6:

'Then I think in terms of also creating a business environment, an entrepreneur business environment where lots of guys can participate, so it will make the supply chain a bit more complex but we will have to be willing to open up our businesses to an era where you have multiple suppliers and how that will create value if those people are then truly competent and that is what you are going to do. You will then at least almost dissolve the mini monopolies where services can be bought from various entities and then you have business involvement.' (Leader 6, 43, Male, Senior Vice President)

- Leadership voiced the view that the response to expectations will require patient investors because benefits to both business and the community will take time to realise.

Discussion

Research question 1

It was clear from the interviews that participants, both employees and management, acknowledged that they expect the business to contribute to improving conditions within its fence-line communities. Participants supported the views expressed in much of the literature that society expects organisations to act responsibly in legal, ethical, economic and discretionary terms (Safwat, 2015). In addition, both leadership and employees agreed that expectations should not be dictated solely by stakeholders external to the business, but also from within (Bice, 2017; Strand, Freeman, & Hockerts, 2015). The findings and constructs from the research would result in a schematic representation of the themes from all three research questions (see Figure 1).

Literature supports the view that the expectations of society and the community are *context and culture dependent* (Jamali & Karam, 2018; Porter & Kramer, 2006; Visser & Kymal, 2015; Voltan et al., 2017). The constructs of *impact of the organisation* and *resources of the organisation* also reinforce the contextual nature of societal expectations. According to the participants, business is expected to contribute according to its impact on the environment, its resources and the role it plays in the community (Hoi, Wu, & Zhang, 2018). These constructs speak to the inside-out linkages referred to by Porter and Kramer (2006), who stated that organisations have an impact on society through its operation within the natural environment and its creation of employment and that these impacts and interactions should be considered in the approach to value creation chosen by the business.

The construct of *organisational values*, which refers to the findings in the literature pertaining to the expectation for business to be a responsible operator, is driven not only by external stakeholders but also by an ethical and values-driven view that exists in the organisation among both employees and leadership (Bice, 2017). On various occasions, participants mentioned that 'we all know it is the right thing to do.' This speaks to the enactment of social responsibility by business by being *values based* and morally grounded (Jamali & Karam, 2018; Safwat, 2015).

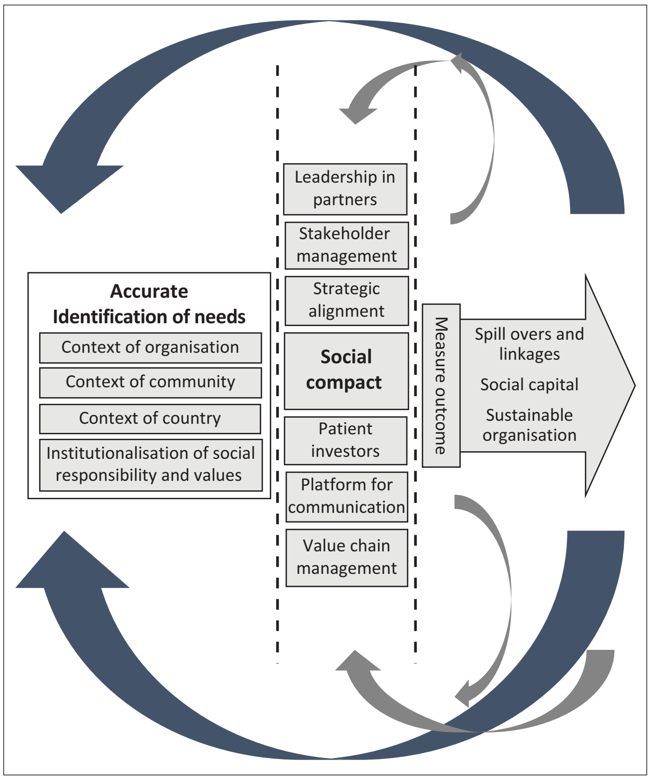

FIGURE 1: Schematic representation of consolidation of themes from all three research questions (grey = information, dark blue = value).

Shareholders are among the external stakeholders that hold an expectation that organisations should contribute positively to society (Su et al., 2016). The 'triple bottom line' reporting mechanism for business further supports the view that external stakeholders have this expectation and that a premium may even accrue to firms that acknowledge and display this propensity in their dealings with society (Su et al., 2016). Banerjee and Jackson (2017) stated that developing countries or impoverished societies usually look to business to contribute to their welfare where the state has failed. The failure of the state and dependency on business thus speaks to the construct of *leadership within partners* where participants mentioned that businesses are the true leaders of society and that society's expectations are fuelled by both this belief and its distrust in the leadership of the state.

The research results indicate that participants felt that while the expectation to the organisation to improve conditions in communities was always present, it was growing in prevalence and intensity. The reason most voiced for this increasing expectation was that society had facilitated access to information and is therefore able to compare conditions in businesses and communities, the impact of businesses on the environment and society, and the interventions launched by business. The constructs emanating from the results were further grouped by linking the resources, sustainability and impact of the organisation to the context of the organisation.

The constructs of values of the organisation, leadership within partners, partnerships, stakeholders and expectation management and access to information are grouped under the theme of institutionalisation of social responsibility and values as is depicted in Figure 1.

All of these themes should be considered in order to identify the right needs and ultimately lead to meaningful, visible and sustainable contributions that address the right needs.

Research question 2

Research question 2 set out to establish the elements that should be considered to ensure the success of an intervention and the perceived benefits to business if it were to employ a shared value creation approach. Participants were asked how they perceived the contribution of their organisation. This question, which highlights the benefits that come from shared value creation, was asked in order to give more granularity, and understanding regarding the outcomes that are regarded as successful by the interview participants and thus provide an improved understanding of what the approach should deliver.

Means to ensure and measure success

Stakeholder and expectation management: Several interviews expressed the view that business and society are not in partnership and that tension exists between the constituencies owing to an imbalance between partners. This imbalance in power is supported by the literature and is considered to be one of the main criticisms levelled against the shared value creation concept (Crane & Matten, 2016; Tantalo & Priem, 2016). Different levels of education and financial muscle were listed as the most important reasons for this imbalance in the partnership. The imbalance manifests as a skewed distribution of value between partners. Tate and Bals (2018) state that the relationship between business and society is reciprocal in nature and that, while tension between business and society is considered an inherent characteristic of the relationship between the two parties, shared value creation could result in tangible and intangible assets to business if all parties in the partnership perceived their allotment of value to be fair.

Partnership between business and community and sustainable interventions: The research indicated that *partnership between business and community* is required to effect successful shared value creation. Accordingly, for successful shared value creation the partners should have a shared value agenda or focal objective (Adner, 2017; Alberti & Belfanti, 2019; Pfitzer & Kramer, 2016). An ecosystem is only as healthy as the weakest link in the value chain and ensuring that all partners achieve their individual and shared objectives will prevent bottlenecks which could block the delivery of shared value (Adner & Kapoor, 2010; Visser & Kymal, 2015). The study by Matinheikki, Rajala and Peltokorpi (2017) focused on the role of inter-organisational partnerships, finding that such partnerships are a key ingredient to ensuring the successful application of shared value creation business models. The results of this research support this view, with participants voicing the need for *partnerships* if a shared value creation approach is to be successful.

In research question 3, the participants indicated that the boundaries of this partnership should extend further than merely between business and community, indicating that government should be also included in the partnership. This tripartite partnership, as the responses to the interview questions relating to research question 3 indicated, was termed a *social compact* by one of the leadership interviewees and is depicted in Figure 1.

From the interviews it was evident that the elements of shared accountability, partnership between business and community, collaborative need identification, planning and target setting, alignment of the roles and responsibilities of all partners, a balanced partnership and the organisation's role as anchor business are contained in the *social compact* construct. The concept of shared accountability was voiced in the interviews with both focus groups and leadership. The establishment of a partnership between business, government and the community would instil shared accountability and ensure the sustainability of interventions. This shared accountability also relates to the construct of *sustainable interventions*. Participants voiced the opinion that interventions have to be sustainable in order to be deemed successful. References were made to instances where their organisation had constructed sports facilities in the communities but did not provide for their maintenance and operation after construction. Several other examples of sustainable interventions included elements of tapping into and establishing a circular economy and ensuring that the net impact on the entire ecosystem is positive. The framework for shaping, sharing and anchoring the shared value vision proposed by Matinheikki et al. (2017) specifically refers to inter-organisational shared accountability. Consequently, this study proposes that sustainable shared value creation would require not just inter-organisational shared accountability, but *inter-stakeholder shared accountability*.

Leadership of all partners: *Leadership in partners* is considered an important construct which featured in both research questions 2 and 3. In research question 2, participants considered a lack of leadership in the parties within the social compact to be a barrier to the current endeavours to attain shared value creation in their community.

Establish and maintain a platform for communication: Pera, Occhiocupo and Clarke (2016) supported the need for a *platform for communication,* stating that there is a need for 'the development and implementation of encounter moments that enable stakeholder interaction', which facilitates successful shared value creation. Høvring (2017) went further to describe the communication of social responsibility endeavours as a complex negotiation of meaning between the stakeholders who often have different perceptions of value and needs. Both leadership and focus groups highlighted communication between community, business, and government as an important ingredient for establishing the relationships, designing and planning the intervention, clarifying expectations and communicating, progress among other things. The complexity of the inter-stakeholder collaboration highlights the need to establish and maintain a platform on which effective communication can occur (Høvring, 2017).

Benefits of the intervention

Participants in the study were asked to describe the benefit that would be created for business through the application of a shared value creation approach. Improved relationships have been identified as an outcome of a stakeholder conscious approach to shared value creation (Pera et al., 2016; Tate & Bals, 2018) and the participants shared this view. Both leaders and focus groups mentioned that a shared value creation approach would improve the business's relationship with the authorities and improve the partnership with the community.

When interview participants were asked what the benefits to business would be if it were to effect social responsibility successfully, the motivation or engagement of employees was noted. It is, therefore, considered a pertinent theme that should be kept in mind when considering the possible benefits to business of a shared value creation approach. Considering the concepts of social capital (Cots, 2011; Hoi et al., 2018) and reciprocal stakeholder behaviour (Hahn, 2015), it is proposed that the constructs of reputation, relationship with authorities, employee engagement, reputation and ambassadors of business be grouped under the theme of *social capital* as is depicted in Figure 1.

Ensuring that the organisation obtains and maintains its competitive advantage is but one of the ingredients for ensuring the *sustainability of business*. This construct was identified as another benefit that organisations can expect from employing shared value creation. Participants were of the strong view that organisations would not be able to sustain profitability if their strategy did not include an element of shared value creation. The constructs of sustainable business and increased profitability are, hence, grouped into one theme, namely *sustainable organisation* (as an outcome of successful shared value creation), because profitability is deemed a requirement for the sustainability of an organisation.

Research question 3

Research question 3 explored how business and leadership should employ shared value creation successfully in their organisation.

Establishing and maintaining a *platform for communication* was again identified as a construct from the coding of the interviews for research question 3. Participants referred to open and honest communication, allowing feedback, seeking inputs from the community, and ensuring that expectations and intentions are clearly articulated. The community want to be considered, they want to contribute to the discussion, and they expect to be asked what they need and how they experienced the intervention. Furthermore, Pera et al. (2016) listed 'the development and implementation of encounter moments that enable stakeholder interaction and collaboration' as one of two ingredients that is required for 'breakthrough' stakeholder co-creation.

The construct of *accurate identification of needs* also surfaced again in research question 3 as a critical element of a successful shared value creation approach. The literature supports the alignment of needs and interventions, holding that this will unlock 'stakeholder synergy' (Tantalo & Priem, 2016). It is proposed that the identification of needs should follow a bottom-up approach and that such an assessment should be done by involving parties both external and internal to the organisation (Hillebrand, Driessen, & Koll, 2015; Matinheikki et al., 2017; Mühlbacher & Böbel, 2018). This notion was voiced by participants during both the leadership and focus group interviews. The participants noted that the accurate assessment of needs should start by engaging with the community. One leader participant used the phrase 'feet on the ground' to describe the activity. Dembek et al. (2016) suggested that need fulfilment consists of three considerations: What needs are addressed, how are these needs addressed and were the needs satisfied? This research posits that a fourth element should be added as an overall consideration, namely, how are the needs identified? This proposed addition to the framework for need fulfilment by Dembek et al. (2016) is depicted in Figure 1.

The concept of the anchor business and its very specific role in establishing the partnership and aligning actors in the organisation was voiced by two leaders during the interviews. Matinheikki et al. (2017), in their study on how to effect shared value creation, also referred to the concept of the focal organisation. They posited that the focal organisation will need to ensure that the various partners are aligned in relation to the goal of the intervention and the approach to be followed. The focal organisation is usually the one that possesses the resources (finances, skills etc.) and strong social networks (Matinheikki et al., 2017). In addition, the participants indicated that shared value outcomes need to be aligned with the company's strategic objectives and that structures and systems should be in place to support the approach. Moreover, the results of the approach should be measured as the overall outcomes of the business strategy.

On discussing the benefits of shared value creation, participants mentioned that the business model would bring about an increase in complexity in supply and value chain management. Including multiple businesses in the supply chain of the business would inadvertently lead to dismantling monopolies, which would save the business money. By contrast, employing this model would increase complexity in managing this chain. This benefit of reduced savings by dismantling monopolies is echoed by the literature with examples of businesses where it has been realised (Dembek et al., 2016; Mühlbacher & Böbel, 2018). Additionally, the ability to manage supply and value chains of increased complexity was mentioned by Acquier, Valiorgue and Daudigeos (2017) as an important consideration when compiling policies and especially when members of the value chain have different strategic objectives and values. *Value chain management* was hence considered a key construct from the research.

Shared value implementation model

The constructs identified for research question 3, as well as the themes from research questions 1 and 2, were consolidated in the schematic representation of the shared value implementation model as is depicted in Figure 1.

Feedback links are shown between the measurement of outcomes and the execution body (stakeholders, social compact, investors). Feedback links are also depicted between the benefits and the context of the community, organisation, and country. As indicated in the literature, *social capital* acts as a facilitator of positive social responsibility endeavours and, hence, the feedback link towards the start of the process (Hoi et al., 2018). These links are added to show the flow of communication and the flow of value resulting from shared value creation as follows:

- Measurement of results should inform the execution body, stakeholders, and strategy regarding the success of the current approach.
- Benefits from the shared value creation should ultimately change the context of the organisation, community and country, and hence spill over into a change in institutions and, ultimately, needs.
- Benefits from the shared value creation should influence the execution body and stakeholders by enabling and empowering them. These benefits should be aligned with the overall focal objective of the ecosystem and the individual objectives of partners within the ecosystem.

Conclusion

What needs should be addressed and why?

Society has definite expectations that businesses will play a role in the environments in which they operate. Such expectations emanate from stakeholders who are both external and internal to the company. Society's expectations and its needs are context dependent, and the context is influenced not only by conditions in and around the organisation but also by circumstances in the community and country. It was further found that the state of institutions within the environment in which the organisation functions will influence the expectations that are harboured by the stakeholders. Where institutions have failed, society regards business as the entity that can make a difference and which has the means and resources in terms of skills and finances to improve conditions.

The idea of institutionalising social responsibility practices and expectations was also highlighted in the research. It was clear that the expectation was deemed fair and just and was thus value based and, in some instances, coupled with being a moral obligation.

Ultimately, all the research questions identified the accurate assessment of needs to be addressed as a critical ingredient for successful shared value creation. It was proposed that this assessment be done through consultation and discussions with the stakeholders that would be affected by the intervention and that involving them in framing the issue would be important. It is hoped that this will result in shared accountability in ensuring the sustainability of interventions.

The context of the community, country and organisation, as well as the state of institutions, and even the values of stakeholders in the ecosystem, are fluid and emerging constructs that are affected by and change as value is created and feedback from the benefits attained flows through the ecosystem. The needs analysis and the planned approach for addressing these needs should thus be reconsidered periodically using environmental sensing and consultation based on the availability of a platform for communication.

How should shared value be effected and by whom?

Shared value creation requires the correct leadership qualities for facilitating interaction with the stakeholders in the ecosystem. These qualities include the ability to manage complex relationships and ensure alignment between various partners and the focal value proposition of the shared value endeavour. Tension is inherent in the relationship between business and society and a leadership approach that not only aligns the value creation endeavour and the needs but also accepts and acknowledges that business should create social benefit and business value, will unlock increased competitive advantage owing to stakeholder synergy in the business ecosystem.

A social compact consisting of partnerships between government, communities and business is required as a vehicle for effecting shared value creation. This compact will be home to a partnership with shared accountability among partners for the intervention and its management during the execution of the intervention, as well as sustaining the impact once the intervention has been concluded. Accordingly, the construct of inter-stakeholder shared accountability emerged as an important concept when the intent is to effect sustainable interventions.

In order to enable successful shared value creation initiatives, there also needs to be an effective platform for communication. The platform should serve as vehicle for feedback, consultation and inputs, expectation management, alignment between various stakeholders and assessment of needs. Some literary sources describes this communication platform as a vehicle for co-creation and state that enabling effective communication and dialogue will require a relationship of trust, inclusiveness and openness between the various stakeholders (Pera et al., 2016).

Owing to the increased number of participants in the market and supply chain, it is envisioned that value chain management will become a critical capability in the success of the approach. This value chain management will entail the adaptation of policies and practices to ensure inclusiveness and to prevent increased transactional costs as a result of a misalignment of objectives between the various parties within the value chain (Acquier et al., 2017).

It was noted that it is important that the shared value objectives be aligned with the overall strategy of the anchor organisation and that of the relevant stakeholders. In the anchor organisation, strategic alignment should translate into structures, policies and processes that support and reinforce the approach (Porter & Kramer, 2006). Furthermore, the outcomes of the intervention must be measured as performance indicators. This alignment in the focal value proposition will also assist in eradicating possible increased transactional costs between the various entities in the value chain. The measurement of results was identified as important in that it should serve the purpose of feedback to the relevant stakeholders and partners in terms of progress against plan and intentions. Importantly, there is a need to measure and learn from actions taken in order to ensure success not only today but also in the future through continuous learning, because success is not considered to be static.

Finally, the research identified the need for patient investors to enable the shared value creation approach. The sentiment was that return on investment will come but not in the short term and that shared value creation is meant to ensure a sustainable business in the future. A new approach to the evaluation of return on investment and the identification of possible investors would therefore need to be considered going forward.

What are the benefits of shared value creation and who benefits?

The benefits of shared value creation are indicated in the model as spillovers and linkages, sustainable business and social capital.

Spill overs and linkages refer to the consideration of a net positive, ecosystem-wide impact through shared value creation, as well as value creation that ultimately reduces dependency on the anchor organisation and aims to change the context of the community, business and country for the better. This does not just involve spill overs and linkages in terms of profit or turnover, but also in terms of improved values and the overall societal mindset. The benefits of shared value creation should eventually transcend the boundaries of the ecosystem and contribute to an environment that sustains healthy businesses and society. The goal of shared value is, as stated by a participant in the research, to create value now and in the future.

Social capital is defined as 'the advantages created by actual and potential resources embedded in social relationships among actors' (Cots, 2011). The social capital benefit also contains the element of reciprocal stakeholder behaviour. Successful shared value creation will result in enhanced relationships which will unlock resources and eventually enhance value creation for the ecosystem. The reciprocal nature of the relationships will enhance inter-stakeholder accountability and cultivate ambassadors of the anchor organisation within the ecosystem.

The way in which the benefits will be capitalised requires continuous evaluation of the results and their alignment to the overall focal value proposition envisaged by the stakeholders and the social compact. The benefits of shared value creation should lead to and enable the continuous growth of the proverbial benefit 'pie' which implies a total net positive effect within the ecosystem.

Implications for management

Stakeholder identification and communication and overall stakeholder management needs to be approached from a context and outcome conscious position. Significant competitive advantage is to be found in unlocking synergies between the objectives and resources of multiple stakeholders within an ecosystem. It is also imperative to ensure inter-stakeholder accountability for the shared value creation endeavours and management should consider this in approaching stakeholder relationship management.

Society expects business to improve the environment in which it operates. While the expectation is context dependent, it is ever present and there are signs of it intensifying. It should therefore be considered when devising business ideas and business models. Implementing shared value creation effectively in an organisation will require alignment of structures, processes, policies and performance measurement to ensure that the approach is institutionalised at all levels of the organisation (Bice, 2017; Hoi et al., 2018; Porter & Kramer, 2006).

The values and culture in an organisation set the tone for the approach to all business ventures. Alignment of the organisation's values and strategic objectives is key in enabling successful execution of the strategy. Management should be cognisant of the fact that shared value creation is often an institutionalised expectation and a sense of obligation that is harboured by employees and leadership in the organisation.

The outcome of shared value creation is both tangible and intangible. Intangible results are difficult to measure but are critical to the sustainability of the competitive advantage of an organisation. Cultivating the correct leadership qualities in one's organisation is key to harnessing and directing the intangible benefits such as social capital and enhanced reputation.

Limitations of research

- The research was conducted in one geographical location and in one business only. Conducting research over numerous ecosystems would give increased clarity of the contextual nature of the approach to shared value creation and the elements that have an impact on its perceived success.
- This study was undertaken in South Africa and cannot be generalised to a continental perspective.
- The research was conducted at one point in time. As mentioned, numerous conditions within the community, organisation and country can affect the outcome of the research. While the context of these environments was briefly described in the preceding sections, research on the impact of various interventions and circumstances over time would add understanding to the model which would increase its likelihood of being a sustainable approach to shared value creation.
- One of the researchers is an employee of the organisation within which the research was conducted. This could have influenced responses by participants, as well as the objectivity with which the researchers evaluated and presented the findings.

In conclusion, business in South Africa is faced with significant challenges in the environment within which it operates. These challenges need to be addressed successfully to enable a sustainable business within a very competitive setting. Society is but one of the important stakeholders within the business ecosystem that needs to be considered and managed. Society expects business to exert a positive impact in the environments in which it operates and, while the expectation is context dependent, it is ever present and considered an ethical and moral obligation. It is proposed that this social responsibility be approached by considering the elements depicted in the model of shared value creation and as discussed in this study. The approach followed should consider context and in choosing the intervention, there should be consideration of the institutionalisation of the concept in the operating environment as well as an effort to establish needs through engagement with the eventual recipients of the shared value. Furthermore, the shared value creation approach should be aligned with the overall strategic objectives of the anchor organisation. Accordingly, it will be the role of the leadership in this system to ensure that this overarching focal value proposition is aligned to the stakeholders within the ecosystem. If business approaches this shared value creation by considering all stakeholders and in partnership with community and government, business should be able to secure a sustainable competitive advantage through the simultaneous creation of value for society and itself.

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The authors have declared that no competing interests exist.

Authors' contributions

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Data availability

Derived data supporting the findings of this study are available from the corresponding author upon reasonable request.

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